GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1084
ANSWERED ON:29.04.2016
Interest Rate on Small Savings/ Deposits
Hegde Shri Anant Kumar Dattatreya;Jayadevan Shri C. N.;Kamal Nath Shri ;Kumar Shri Ashwini;Kushwaha Shri Ram Kumar Sharma;P. Shri Nagarajan;Sawaikar Shri Advocate Narendra Keshav;Scindia Shri Jyotiraditya Madhavrao;Singh Shri Sushil Kumar

Will the Minister of FINANCE be pleased to state:

(a) Whether the Government has recently reduced the rate of interest on various savings/deposits schemes including the popular Provident Fund, Kisan Vikas Patra and Senior Citizen deposits adversely affecting poor and middle class and if so, the details thereof and the reasons therefor; and
(b) The steps taken/being by the Government to encourage/promote household savings and deposits in banks in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) Sir, high small savings interest rates limit the banking sector's ability to lower deposit rates in response to the monetary policy (lowered repo rate) of the Reserve Bank of India.
In the context of easing the transmission of the interest rates in the economy, the Government has taken a comprehensive view on the social goals of certain National Small Savings Schemes. Accordingly, from 1.4.2016, the rates of interest stand revised as under:-
Instrument Rate of interest w.e.f. 01.04.2015 to 31.3.2016 (effective annual rates) Rate of interest w.e.f. 01.04.2016 to 30.6.2016 (effective annual rates)
Savings Deposit 4.0 4.0
1 Year Time Deposit 8.7 7.3
2 Year Time Deposit 8.7 7.4
3 Year Time Deposit 8.7 7.6
5 Year Time Deposit 8.7 8.1
5 Year Recurring Deposit 8.7 7.6
5 Year Senior Citizens Savings Scheme 9.6 8.9
5 year Monthly Income Account Scheme 8.7 8.1
5 Year National Savings Certificate 8.7 8.1
Public Provident Fund Scheme 8.7 8.1
Kisan Vikas Patra 8.7 7.8
Sukanya Samriddhi Account Scheme 9.2 8.6

The interest rates of all small savings schemes would henceforth be recalibrated on a quarterly basis, to align the small saving interest rates with the recent market rates of the relevant Government securities.
This is expected to help the economy move to a lower overall interest rate regime eventually and thereby help all, particularly, poor and middle class.

(b)The Government has taken various steps to popularise all the existing schemes by carrying out publicity through print and electronic/Audio Visual media on an all India basis. Jan Dhan Yojana is a scheme of the Government to encourage deposits in banks and promote savings.